

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Scio Township	County Washtenaw
Audit Date March 31, 2004	Opinion Date June 21, 2004	Date Accountant Report Submitted To State: September 17, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address Suite 200, 350 South Main Street	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

# **Township of Scio Washtenaw County, Michigan**

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**Financial Report  
with Additional Information  
March 31, 2004**

# Township of Scio

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# Township of Scio

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### Additional Information (Continued)

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## Independent Auditor's Report

To the Board of Trustees  
Township of Scio  
Washtenaw County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Scio as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Scio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Scio as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

June 21, 2004

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# Township of Scio

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 4,030,374	\$ 1,844,249	\$ -	\$ 30,000
Receivables:				
Taxes	70,868	-	-	-
Customers	-	-	-	-
Accrued interest and other	40,638	-	-	-
Special assessments	-	-	-	420,000
Due from other governmental units	-	-	-	-
Due from other funds (Note 3)	282,481	-	-	-
Due from primary government	-	-	-	-
Other current assets	2,901	-	-	-
Capital assets (Note 4)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
<b>Total assets</b>	<b><u>\$ 4,427,262</u></b>	<b><u>\$ 1,844,249</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 450,000</u></b>

**Combined Balance Sheet - All Fund Types, Account Groups,  
and Component Units  
March 31, 2004**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Primary Government Totals	Component Units
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)	
\$ 21,568,920	\$ 264,777	\$ -	\$ -	\$ 27,738,320	\$ 4,484,746
-	-	-	-	70,868	-
684,649	-	-	-	684,649	-
-	-	-	-	40,638	-
-	-	-	-	420,000	-
14,874	-	-	-	14,874	-
-	-	-	-	282,481	-
-	-	-	-	-	481,255
38,815	-	-	-	41,716	42,000
17,137,248	-	4,442,510	-	21,579,758	-
-	-	-	-	-	1,285,065
-	-	-	1,147,951	1,147,951	13,414,935
<b><u>\$ 39,444,506</u></b>	<b><u>\$ 264,777</u></b>	<b><u>\$ 4,442,510</u></b>	<b><u>\$ 1,147,951</u></b>	<b><u>\$ 52,021,255</u></b>	<b><u>\$ 19,708,001</u></b>

# Township of Scio

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 90,910	\$ 900	\$ -	\$ -
Due to other funds	-	282,481	-	-
Due to component units	446,660	-	-	-
Deferred revenue	-	-	-	450,000
Due to other governmental units and other liabilities	10,214	-	-	-
Long-term debt (Note 6)	-	-	-	-
Total liabilities	547,784	283,381	-	450,000
<b>Fund Equity</b>				
Contributed capital (Note 7)	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Designated for subsequent year's expenditures	183,147	166,445	-	-
Undesignated	3,696,331	1,394,423	-	-
Total fund equity	3,879,478	1,560,868	-	-
Total liabilities and fund equity	<u>\$ 4,427,262</u>	<u>\$ 1,844,249</u>	<u>\$ -</u>	<u>\$ 450,000</u>



**Combined Balance Sheet - All Fund Types, Account Groups,  
and Component Units (Continued)  
March 31, 2004**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Primary Government Totals	Component Units
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)	
\$ 337,469	\$ -	\$ -	\$ -	\$ 429,279	\$ 115,192
-	-	-	-	282,481	-
-	34,595	-	-	481,255	-
-	-	-	-	450,000	-
1,579,599	230,182	-	-	1,819,995	122,468
-	-	-	1,147,951	1,147,951	14,700,000
1,917,068	264,777	-	1,147,951	4,610,961	14,937,660
28,171,402	-	-	-	28,171,402	-
-	-	4,442,510	-	4,442,510	-
9,356,036	-	-	-	9,356,036	-
-	-	-	-	349,592	4,068,831
-	-	-	-	5,090,754	701,510
37,527,438	-	4,442,510	-	47,410,294	4,770,341
<b>\$ 39,444,506</b>	<b>\$ 264,777</b>	<b>\$ 4,442,510</b>	<b>\$ 1,147,951</b>	<b>\$ 52,021,255</b>	<b>\$ 19,708,001</b>

# Township of Scio

	General	Special Revenue	Debt Service
<b>Revenue</b>			
Property taxes	\$ 933,718	\$ -	\$ -
State sources	988,909	-	-
Locally raised	566,166	16,953	-
Rent, interest, and other	457,874	48,002	-
Total revenue	2,946,667	64,955	-
<b>Expenditures</b>			
General government	945,699	30,414	-
Elections	1,313	-	-
Assessor	308,280	-	-
Buildings and grounds	36,080	-	-
Health and safety	544,536	-	-
Fire	895,827	-	-
Boards and commissions	28,680	-	-
Capital outlay	19,542	-	-
Debt service	-	-	69,325
Unallocated and other	-	-	-
Total expenditures	2,779,957	30,414	69,325
<b>Excess of Revenue Over (Under) Expenditures</b>	166,710	34,541	(69,325)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	-	69,325
Operating transfers out	(69,325)	-	-
Total other financing sources (uses)	(69,325)	-	69,325
<b>Excess of Revenue and Other Financing Sources Over Expenditures and Other Uses</b>	97,385	34,541	-
<b>Fund Balances - Beginning of year</b>	3,782,093	1,526,327	-
<b>Fund Balances - End of year</b>	<u>\$ 3,879,478</u>	<u>\$ 1,560,868</u>	<u>\$ -</u>

**Combined Statement of Revenue, Expenditures, and  
Changes in Fund Balances - All Governmental Fund Types  
and Component Units  
Year Ended March 31, 2004**

		Primary Government Totals		
Capital Project		(Memorandum Only)		Component Units
\$	-	\$	933,718	\$ 2,248,623
	-		988,909	-
	-		583,119	-
	-		505,876	109,025
	-		3,011,622	2,357,648
	-		976,113	-
	-		1,313	-
	-		308,280	-
	-		36,080	-
	-		544,536	-
	-		895,827	-
	-		28,680	-
	-		19,542	239,638
	-		69,325	1,767,676
	-		-	17,920
	-		2,879,696	2,025,234
	-		131,926	332,414
	-		69,325	1,743,060
	-		(69,325)	(1,743,060)
	-		-	-
	-		131,926	332,414
	-		5,308,420	4,437,927
\$	-	\$	5,440,346	\$ 4,770,341

# Township of Scio

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes	\$ 915,000	\$ 933,718	\$ 18,718
State sources	900,000	988,909	88,909
Locally raised	539,060	566,166	27,106
Interest and other	446,585	457,874	11,289
Total revenue	2,800,645	2,946,667	146,022
<b>Expenditures</b>			
General government	992,800	945,699	47,101
Elections	2,300	1,313	987
Assessor	327,625	308,280	19,345
Buildings and grounds	46,725	36,080	10,645
Health and safety	542,692	544,536	(1,844)
Fire	924,467	895,827	28,640
Boards and commissions	28,736	28,680	56
Capital outlay	50,000	19,542	30,458
Debt service	-	-	-
Total expenditures	2,915,345	2,779,957	135,388
<b>Excess of Revenue Over (Under) Expenditures</b>	(114,700)	166,710	281,410
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	-	-
Operating transfers out	(69,500)	(69,325)	175
Total other financing sources (uses)	(69,500)	(69,325)	175
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(184,200)	97,385	281,585
<b>Fund Balances - April 1, 2003</b>	3,782,093	3,782,093	-
<b>Fund Balances - March 31, 2004</b>	<u>\$ 3,597,893</u>	<u>\$ 3,879,478</u>	<u>\$ 281,585</u>

**Combined Statement of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
All Governmental Fund Types  
Year Ended March 31, 2004**

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,200	16,953	15,753	-	-	-
34,600	48,002	13,402	-	-	-
35,800	64,955	29,155	-	-	-
50,575	30,414	20,161	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	69,500	69,325	175
50,575	30,414	20,161	69,500	69,325	175
(14,775)	34,541	49,316	(69,500)	(69,325)	175
-	-	-	69,500	69,325	175
-	-	-	-	-	-
-	-	-	69,500	69,325	175
(14,775)	34,541	49,316	-	-	-
1,526,327	1,526,327	-	-	-	-
<u>\$ 1,511,552</u>	<u>\$ 1,560,868</u>	<u>\$ 49,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Township of Scio

## Combined Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type Year Ended March 31, 2004

### Operating Revenue

Charges for services	\$ 4,069,218
Other	<u>121,702</u>

Total operating revenue 4,190,920

### Operating Expenses

Water purchases	891,177
Sewage treatment	887,435
Operation and maintenance	576,422
General and administrative	907,536
Depreciation and amortization	<u>499,685</u>

Total operating expenses 3,762,255

Operating Income 428,665

Nonoperating Revenue - Interest income 388,973

Other Financing Sources - Water and sewer lines  
contributed by developers and connection fees 2,382,844

Net Income 3,200,482

Retained Earnings - Beginning of year 6,155,554

Retained Earnings - End of year \$ 9,356,036

# Township of Scio

## Combined Statement of Cash Flows Proprietary Fund Type Year Ended March 31, 2004

### Cash Flows from Operating Activities

Operating income	\$ 428,665
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	499,685
Changes in assets and liabilities:	
Receivables	(16,024)
Due from other governmental units	12,191
Accounts payable	(19,431)
Due to other governmental units and other liabilities	<u>248,108</u>
Net cash provided by operating activities	1,153,194

### Cash Flows from Capital and Related Financing Activities

Collection of connection fees	1,321,783
Purchase of capital assets	<u>(214,138)</u>
Net cash provided by capital and related financing activities	1,107,645

### Cash Flows from Investing Activities - Interest received on investments

350,158

**Net Increase in Cash and Cash Equivalents** 2,610,997

**Cash and Cash Equivalents - Beginning of year** 18,957,923

**Cash and Cash Equivalents - End of year** \$ 21,568,920

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2004, developers contributed water and sewer lines in the amount of \$986,034 to the Township. These lines were recorded as capital assets.

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Scio (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Township is governed by an elected, seven-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Scio and its component units. The individual component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

The Building Authority was created to provide for the financing of renovations to the Township Hall. The Building Authority's governing body, which consists of three individuals, was created during the fiscal year ended March 31, 1999. Building Authority operations consist of the issuance and repayment of debt and the construction of facilities. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the Township's public buildings. The financial statements of the Building Authority are consolidated with the financial statements of the Township as follows:

- a. Fixed assets (completed construction projects) of the Building Authority are reported in the General Fixed Assets Account Group.
- b. Remaining amounts due on the bonds issued by the Building Authority are reported in the General Long-term Debt Account Group.

The following component units are reported within the component units column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the Township. More detailed information on each component unit is disclosed in Note 10.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the Township Board. In addition, the Authority's budget is subject to approval by the Township Board.



## **Note I - Summary of Significant Accounting Policies (Continued)**

- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Corporation's governing body, which consists of nine individuals, is selected by the Township Board.

### **Fund Accounting**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, into generic fund types in three broad fund categories as follows:

#### **Governmental Funds**

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

**Debt Service Fund** - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

**Capital Project Fund** - The Capital Project Fund is used to account for the financing and construction costs of the special assessment district.

#### **Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for the results of operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **Fiduciary Funds**

**Trust and Agency Funds** - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, component units, other governments, or other funds. The Trust and Agency Fund and the Current Tax Collection Fund are Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

### **Basis of Accounting**

The accrual basis of accounting is used by the Enterprise Funds. All governmental funds, Agency Funds, and component units utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of the last day of February before they are added to the county tax rolls.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- g. The noncurrent portion of accumulated vacation pay liabilities is reflected in the General Long-term Debt Account Group.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Fixed Assets and Long-term Liabilities** - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the Enterprise Funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the Enterprise Funds on a straight-line basis.

**Cash Equivalents** - For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

**Bond Issuance Costs** - Costs associated with the issuance of Enterprise Funds bonds are being amortized over the life of the related bonds.

**Construction Code Fees** - The Township does not collect construction code fees as allowed by the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

# Township of Scio

## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

### Note 2 - Deposits and Investments

The Township's cash and cash equivalents at March 31, 2004 are composed of the following:

Deposits	\$ 10,890,067
Investments	16,847,653
Petty cash and cash on hand	<u>600</u>
Total	<u>\$ 27,738,320</u>

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$23,577,834. Of that amount, \$600,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Funds' investment earnings are allocated to the General Fund.

### Note 2 - Deposits and Investments (Continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at March 31, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the following:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the component unit's name

	Carrying Value - Fair Value
Category 2 investments:	
U.S. bonds and notes	\$ 16,039,039
Commercial paper	<u>68,995</u>
Total Category 2 investments	16,108,034
Uncategorized investments - Interlocal agreement - MBIA	
Michigan CLASS funds	<u>739,619</u>
Total investments	<u>\$ 16,847,653</u>

The MBIA-CLASS investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. All investments comply with the investment authority noted above. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pool is the same as the value of the pool shares.

### Note 2 - Deposits and Investments (Continued)

All of the U.S. bonds and notes at March 31, 2004 are securities issued by the Federal Home Loan Bank System and Federal National Mortgage Association. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

#### Component Units

The deposits and investments of the Township's component units at March 31, 2004 consist of bank deposits of \$4,484,646 and petty cash of \$100. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or deposits in transit) at \$4,393,247. Of that amount, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

### Note 3 - Interfund Receivables

The following are the interfund receivables at March 31, 2004:

#### General Fund:

Public Safety Fund	\$ 500
Public Improvement Fund	280,156
Budget Stabilization Fund	<u>1,825</u>
Total interfund receivables	<u>\$ 282,481</u>

# Township of Scio

## Notes to Financial Statements March 31, 2004

### Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance April 1, 2003	Additions	Disposals	Balance March 31, 2004
Land	\$ 412,714	\$ -	\$ -	\$ 412,714
Buildings	2,362,962	8,701	-	2,371,663
Land improvements	33,158	121,079	-	154,237
Equipment	660,638	31,358	(14,221)	677,775
Fire vehicles	762,870	63,251	-	826,121
Total	<u>\$ 4,232,342</u>	<u>\$ 224,389</u>	<u>\$ (14,221)</u>	<u>\$ 4,442,510</u>

A summary of proprietary funds fixed assets at March 31, 2004 is as follows:

	Amount	Depreciable Life - Years
Land	\$ 17,579	-
Buildings	761,586	40
Utility system	21,795,433	50
Sewer meters	7,118	25
Machinery and equipment	341,075	10
Construction in progress	235,549	-
Vehicles	56,649	5
Total cost	23,214,989	
Less accumulated depreciation	<u>(6,077,741)</u>	
Net capital assets	<u>\$ 17,137,248</u>	

### Note 5 - Budget Information

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - all governmental fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and other funds' budgets as adopted by the Township Board is included in the general purpose financial statements. There were no significant budget overruns in the General Fund.

### Note 6 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the Township as of March 31, 2004:

	Number of Issues	Interest Rate	Maturing Through Fiscal Year	Principal Outstanding
General Long-term Debt Account Group:				
1999 Building Authority Bonds	1	4.90%-6.00%	2018	\$ 800,000
Installment purchase obligations	2	4.90%-5.50%	2007	287,280
Accumulated employee benefits				<u>60,671</u>
Total General Long-term Debt Account Group				<u>\$ 1,147,951</u>



### Note 6 - Long-term Debt (Continued)

The accumulated employee benefits represent the estimated liability to be paid governmental fund-type employees under the Township's sick and vacation pay policy, net of the portion that is estimated will be paid currently (which has been recorded as a liability in the applicable governmental fund). Under the Township's policy, employees earn sick and vacation time based on time of service with the Township.

In addition to the above, the Downtown Development Authority (which is a component unit) has four bond issues outstanding with a remaining principal balance of \$14,700,000 at March 31, 2004. Those bonds bear interest at rates ranging from 4.25 percent to 10 percent and mature through the fiscal year ending March 31, 2019.

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2004:

	Government - General Obligations	Component Units
<b>Balance - April 1, 2003</b>	\$ 1,300,369	\$ 15,600,000
Increase in obligation for employee benefits	1,345	-
Debt retired	(153,763)	(900,000)
<b>Balance - March 31, 2004</b>	<u>\$ 1,147,951</u>	<u>\$ 14,700,000</u>

# Township of Scio

## Notes to Financial Statements March 31, 2004

### Note 6 - Long-term Debt (Continued)

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2004 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending March 31	Governmental	
	Fund Resources	Component Units
2005	\$ 217,706	\$ 1,741,110
2006	172,157	1,693,860
2007	169,670	1,723,636
2008	85,576	1,681,487
2009	83,051	1,663,706
Remaining years	<u>733,830</u>	<u>11,390,227</u>
Total	<u>\$ 1,461,990</u>	<u>\$ 19,894,026</u>

#### Interest

The Township's interest expense for the year was approximately \$66,000. The component units' interest expense was approximately \$866,000.

### Note 7 - Contributed Capital

The following is an analysis of contributed capital by source:

Mains contributed by developers prior to March 31, 2001 and connection permit fees*	\$ 21,690,182
Contributions to aid in construction:	
Users	4,575,938
State grants	<u>1,905,282</u>
Total	<u>\$ 28,171,402</u>

- \* The Township's policy was to record mains contributed by developers as contributed capital. With the implementation of GASB Statement No. 33 on April 1, 2001, mains contributed by developers are now required to be recorded as other financing sources in the proprietary funds' statement of revenue, expenses, and changes in retained earnings.

### Note 8 - Segment Information for Enterprise Funds

The Township maintains two Enterprise Funds that provide water and sewer services. Segment information for the year ended March 31, 2004 was as follows:

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating revenue	\$ 1,613,201	\$ 2,577,719	\$ 4,190,920
Operating expenses	<u>1,521,796</u>	<u>2,240,459</u>	<u>3,762,255</u>
Operating income	91,405	337,260	428,665
Nonoperating revenue	151,803	237,170	388,973
Other financing sources	<u>863,777</u>	<u>1,519,067</u>	<u>2,382,844</u>
Net income	<u>\$ 1,106,985</u>	<u>\$ 2,093,497</u>	<u>\$ 3,200,482</u>
Land, buildings, and equipment:			
Additions	\$ 541,344	\$ 733,855	\$ 1,275,199
Depreciation expense	215,254	284,431	499,685
Net working capital	7,016,458	13,373,732	20,390,190
Total assets	15,324,306	24,120,200	39,444,506
Total fund equity	14,555,188	22,972,250	37,527,438

### Note 9 - Defined Contribution Retirement Plan

The Township offers pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate 90 days from the date of employment. As established by the Board of Trustees, the Township contributes 5.5 percent of an employee's gross earnings. Employee contributions are not required. In accordance with these requirements, the Township contributed approximately \$47,000 during the current year. The Township's contributions for each employee are fully vested upon entering service.

### Note 10 - Component Units' Financial Information

Condensed financial statements for each of the discretely presented component units are presented below:

#### Balance Sheet

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Current assets	\$ 4,997,991	\$ 10,010	\$ 5,008,001
Amount available in Debt Service Fund	1,285,065	-	1,285,065
Amounts to be provided for repayment of long-term debt	<u>13,414,935</u>	<u>-</u>	<u>13,414,935</u>
Total assets	<u>\$ 19,697,991</u>	<u>\$ 10,010</u>	<u>\$ 19,708,001</u>
<b>Liabilities</b>			
Current liabilities	\$ 237,660	\$ -	\$ 237,660
Long-term debt	<u>14,700,000</u>	<u>-</u>	<u>14,700,000</u>
Total liabilities	14,937,660	-	14,937,660
<b>Equity - Fund balances</b>	<u>4,760,331</u>	<u>10,010</u>	<u>4,770,341</u>
Total liabilities and equity	<u>\$ 19,697,991</u>	<u>\$ 10,010</u>	<u>\$ 19,708,001</u>

### Note 10 - Component Units' Financial Information (Continued)

#### Statement of Revenue, Expenditures, and Changes in Equity

	Downtown Development Authority	Economic Development Corporation	Total
<b>Revenue and Other Financing Sources</b>	\$ 4,100,708	\$ -	\$ 4,100,708
<b>Expenditures</b>			
Operating and other	256,971	587	257,558
Debt service	1,767,676	-	1,767,676
<b>Other Financing Uses</b>	<u>1,743,060</u>	<u>-</u>	<u>1,743,060</u>
Total expenditures and other financing uses	<u>3,767,707</u>	<u>587</u>	<u>3,768,294</u>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	333,001	(587)	332,414
<b>Equity - April 1, 2003</b>	<u>4,427,330</u>	<u>10,597</u>	<u>4,437,927</u>
<b>Equity - March 31, 2004</b>	<u>\$ 4,760,331</u>	<u>\$ 10,010</u>	<u>\$ 4,770,341</u>

### Note 11 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 12 - Contingent Liability**

The Township's fire department is currently involved in the creation of a new union and is undergoing negotiations. The Township does not know the outcome of the negotiations and is not aware of the impact on the accompanying financial statements.

### **Note 13 - Upcoming Reporting Change**

For the year beginning April 1, 2004, the Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total, on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

## **Additional Information**

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To the Board of Trustees  
Township of Scio  
Washtenaw County, Michigan

We have audited the general purpose financial statements of the Township of Scio as of and for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Township of Scio. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Plante & Moran, PLLC*

June 21, 2004

# Township of Scio

## General Fund Schedule of Revenue - Budget and Actual Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
<b>Property Taxes</b>			
Property taxes	\$ 910,000	\$ 924,644	\$ 14,644
Interest and penalties	5,000	9,074	4,074
Total property taxes	915,000	933,718	18,718
<b>State Sources - State-shared revenue</b>	900,000	988,909	88,909
<b>Locally Raised</b>			
Planning Commission	482,300	507,272	24,972
Zoning Board of Appeals	5,000	6,755	1,755
Governmental service fees	33,260	33,260	-
District Court fines	18,500	18,879	379
Total locally raised	539,060	566,166	27,106
<b>Rent, Interest, and Other</b>			
Rent	30,700	30,740	40
Interest earned	30,000	39,623	9,623
Tax collection administrative fee	374,000	376,092	2,092
Rebates, refunds, and miscellaneous	5,000	4,534	(466)
Other income	6,885	6,885	-
Total rent, interest, and other	446,585	457,874	11,289
Total revenue	<u>\$ 2,800,645</u>	<u>\$ 2,946,667</u>	<u>\$ 146,022</u>

\* The Township's budget was adopted on an activity basis as presented in the combined statement of revenue, expenditures, and changes in fund balance - budget and actual - all governmental fund types. Information on this schedule is presented for the purpose of additional analysis.

# Township of Scio

## General Fund Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
<b>General Government</b>			
Personnel services	\$ 443,600	\$ 412,560	\$ 31,040
Supplies	43,000	36,972	6,028
Other services and charges	506,200	496,167	10,033
Total general government	992,800	945,699	47,101
<b>Elections</b>			
Inspectors	1,300	1,185	115
Supplies	500	128	372
Other services and charges	500	-	500
Total elections	2,300	1,313	987
<b>Assessor</b>			
Personnel services	288,475	278,835	9,640
Supplies	4,250	125	4,125
Other services and charges	34,900	29,320	5,580
Total assessor	327,625	308,280	19,345
<b>Buildings and Grounds</b>			
Supplies	3,000	2,642	358
Other services and charges	43,725	33,438	10,287
Total buildings and grounds	46,725	36,080	10,645
<b>Health and Safety</b>			
Drains	3,000	807	2,193
Roads	23,000	22,037	963
Sheriff contract	516,692	516,692	-
Other services and charges	-	5,000	(5,000)
Total health and safety	542,692	544,536	(1,844)

\* The Township's budget was adopted on an activity basis as presented in the combined statement of revenue, expenditures, and changes in fund balances - budget and actual - all governmental fund types. Information on this schedule is presented for the purpose of additional analysis.

# Township of Scio

## General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
<b>Fire</b>			
Personnel services	\$ 383,810	\$ 380,675	\$ 3,135
Supplies	31,800	23,642	8,158
Other services and charges	152,500	140,156	12,344
Capital outlay	206,200	201,198	5,002
Debt service	150,157	150,156	1
Total fire	924,467	895,827	28,640
<b>Boards and Commissions</b>			
Personnel services	28,236	28,232	4
Other services and charges	500	448	52
Total boards and commissions	28,736	28,680	56
<b>Capital Outlay - Equipment</b>	50,000	19,542	30,458
Total expenditures	<u>\$ 2,915,345</u>	<u>\$ 2,779,957</u>	<u>\$ 135,388</u>

\* The Township's budget was adopted on an activity basis as presented in the combined statement of revenue, expenditures, and changes in fund balances - budget and actual - all governmental fund types. Information on this schedule is presented for the purpose of additional analysis.

# Township of Scio

## Special Revenue Funds Combining Balance Sheet March 31, 2004

	Budget Stabilization	Public Improvement	Public Safety and Improvement	Total
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 80,696</u>	<u>\$ 605,098</u>	<u>\$ 1,158,455</u>	<u>\$ 1,844,249</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 900	\$ -	\$ 900
Due to other funds	<u>1,825</u>	<u>280,156</u>	<u>500</u>	<u>282,481</u>
Total liabilities	1,825	281,056	500	283,381
<b>Fund Balances</b>				
Designated for subsequent year's expenditures	-	44,235	122,210	166,445
Undesignated	<u>78,871</u>	<u>279,807</u>	<u>1,035,745</u>	<u>1,394,423</u>
Total fund balances	<u>78,871</u>	<u>324,042</u>	<u>1,157,955</u>	<u>1,560,868</u>
Total liabilities and fund balances	<u>\$ 80,696</u>	<u>\$ 605,098</u>	<u>\$ 1,158,455</u>	<u>\$ 1,844,249</u>

# Township of Scio

## Special Revenue Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Budget Stabilization	Public Improvement	Public Safety and Improvement	Total
<b>Revenue</b>				
Locally raised	\$ -	\$ 16,953	\$ -	\$ 16,953
Rent, interest, and other income	<u>622</u>	<u>6,296</u>	<u>41,084</u>	<u>48,002</u>
Total revenue	622	23,249	41,084	64,955
<b>Expenditures</b> - General government	<u>150</u>	<u>30,064</u>	<u>200</u>	<u>30,414</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	472	(6,815)	40,884	34,541
<b>Fund Balances</b> - April 1, 2003	<u>78,399</u>	<u>330,857</u>	<u>1,117,071</u>	<u>1,526,327</u>
<b>Fund Balances</b> - March 31, 2004	<u>\$ 78,871</u>	<u>\$ 324,042</u>	<u>\$ 1,157,955</u>	<u>\$ 1,560,868</u>

# Township of Scio

## Enterprise Funds Combining Balance Sheet March 31, 2004

	Water	Sewer	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,581,173	\$ 13,987,747	\$ 21,568,920
Receivables - Customers	187,188	497,461	684,649
Due from other governmental units	-	14,874	14,874
Other assets	17,215	21,600	38,815
Total current assets	7,785,576	14,521,682	22,307,258
<b>Capital Assets</b>	7,538,730	9,598,518	17,137,248
Total assets	<u><b>\$ 15,324,306</b></u>	<u><b>\$24,120,200</b></u>	<u><b>\$39,444,506</b></u>
<b>Liabilities and Fund Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 146,716	\$ 190,753	\$ 337,469
Due to other governmental units and other liabilities	622,402	957,197	1,579,599
Total current liabilities	769,118	1,147,950	1,917,068
<b>Fund Equity</b>			
Contributed capital	11,720,475	16,450,927	28,171,402
Retained earnings	2,834,713	6,521,323	9,356,036
Total fund equity	14,555,188	22,972,250	37,527,438
Total liabilities and fund equity	<u><b>\$ 15,324,306</b></u>	<u><b>\$24,120,200</b></u>	<u><b>\$39,444,506</b></u>

# Township of Scio

## Enterprise Funds Combining Statement of Revenue, Expenses, and Changes in Retained Earnings Year Ended March 31, 2004

	Water	Sewer	Total
<b>Operating Revenue</b>			
Charges for services	\$ 1,491,499	\$ 2,577,719	\$ 4,069,218
Other	<u>121,702</u>	<u>-</u>	<u>121,702</u>
Total operating revenue	1,613,201	2,577,719	4,190,920
<b>Operating Expenses</b>			
Water purchases	891,177	-	891,177
Sewage treatment	-	887,435	887,435
Operation and maintenance	153,873	422,549	576,422
General and administrative	261,492	646,044	907,536
Depreciation and amortization	<u>215,254</u>	<u>284,431</u>	<u>499,685</u>
Total operating expenses	<u>1,521,796</u>	<u>2,240,459</u>	<u>3,762,255</u>
<b>Operating Income</b>	91,405	337,260	428,665
<b>Nonoperating Revenue</b> - Interest income	151,803	237,170	388,973
<b>Other Financing Sources</b> - Water and sewer lines contributed by developers and connection fees	<u>863,777</u>	<u>1,519,067</u>	<u>2,382,844</u>
<b>Net Income</b>	1,106,985	2,093,497	3,200,482
<b>Retained Earnings</b> - April 1, 2003	<u>1,727,728</u>	<u>4,427,826</u>	<u>6,155,554</u>
<b>Retained Earnings</b> - March 31, 2004	<u><b>\$ 2,834,713</b></u>	<u><b>\$ 6,521,323</b></u>	<u><b>\$ 9,356,036</b></u>



# Township of Scio

## Enterprise Funds Combining Statement of Cash Flows Year Ended March 31, 2004

	Water	Sewer	Total
<b>Cash Flows from Operating Activities</b>			
Operating income	\$ 91,405	\$ 337,260	\$ 428,665
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	215,254	284,431	499,685
Changes in assets and liabilities:			
Receivables	24,483	(40,507)	(16,024)
Due from other governmental units	-	12,191	12,191
Accounts payable	885	(20,316)	(19,431)
Due to other governmental units and other liabilities	45,144	202,964	248,108
Net cash provided by operating activities	377,171	776,023	1,153,194
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of connection fees	327,290	994,493	1,321,783
Purchase of capital assets	(4,857)	(209,281)	(214,138)
Net cash provided by capital and related financing activities	322,433	785,212	1,107,645
<b>Cash Flows from Investing Activities</b> - Interest received on investments	134,588	215,570	350,158
<b>Net Increase in Cash and Cash Equivalents</b>	834,192	1,776,805	2,610,997
<b>Cash and Cash Equivalents</b> - April 1, 2003	6,746,981	12,210,942	18,957,923
<b>Cash and Cash Equivalents</b> - March 31, 2004	<u>\$ 7,581,173</u>	<u>\$ 13,987,747</u>	<u>\$ 21,568,920</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2004, developers contributed water and sewer lines in the amount of \$986,034 to the Township. These lines were recorded as capital assets.

# Township of Scio

## Trust and Agency Funds Combining Balance Sheet March 31, 2004

	Current Tax Collection	Trust and Agency	Total
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 206,773</u></b>	<b><u>\$ 58,004</u></b>	<b><u>\$ 264,777</u></b>
<b>Liabilities</b>			
Due to primary government	\$ 34,595	\$ -	\$ 34,595
Due to other governmental units and other liabilities	<u>172,178</u>	<u>58,004</u>	<u>230,182</u>
Total liabilities	<b><u>\$ 206,773</u></b>	<b><u>\$ 58,004</u></b>	<b><u>\$ 264,777</u></b>

# Township of Scio

## Schedule of Indebtedness - Primary Government March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>General Long-term Debt Account Group</b>					
1999 General Obligation Limited Tax Bonds					
Date of issue - June 1999					
Amount of issue - \$900,000					
	03/31/04	\$ -	\$ -	\$ -	\$ 800,000
	05/01/04	46,650	21,650	25,000	775,000
	11/01/04	20,900	20,900	-	-
	05/01/05	70,900	20,900	50,000	725,000
	11/01/05	19,638	19,638	-	-
	05/01/06	69,638	19,638	50,000	675,000
	11/01/06	18,413	18,413	-	-
	05/01/07	68,413	18,413	50,000	625,000
	11/01/07	17,163	17,163	-	-
	05/01/08	67,163	17,163	50,000	575,000
	11/01/08	15,888	15,888	-	-
	05/01/09	65,888	15,888	50,000	525,000
	11/01/09	14,588	14,588	-	-
	05/01/10	64,588	14,588	50,000	475,000
	11/01/10	13,263	13,263	-	-
	05/01/11	63,263	13,263	50,000	425,000
	11/01/11	11,913	11,913	-	-
	05/01/12	61,913	11,913	50,000	375,000
	11/01/12	10,538	10,538	-	-
	05/01/13	85,538	10,538	75,000	300,000

(Continued on next page)

# Township of Scio

## Schedule of Indebtedness - Primary Government (Continued) March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>General Long-term Debt Account Group (Continued)</b>					
1999 General Obligation Limited Tax Bonds (Continued)					
	11/01/13	\$ 8,456	\$ 8,456	\$ -	\$ -
	05/01/14	83,456	8,456	75,000	225,000
	11/01/14	6,356	6,356	-	-
	05/01/15	81,356	6,356	75,000	150,000
	11/01/15	4,238	4,238	-	-
	05/01/16	79,238	4,238	75,000	75,000
	11/01/16	2,119	2,119	-	-
	05/01/17	77,119	2,119	75,000	-
		<u>\$ 1,148,596</u>	<u>\$ 348,596</u>		
Total bonded debt				800,000	
Installment purchase obligations				287,280	
Accumulated employee benefits				<u>60,671</u>	
Total General Long-term Debt Account Group				<u>\$ 1,147,951</u>	

# Township of Scio

## Component Units Combining Balance Sheet March 31, 2004

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,474,736	\$ 10,010	\$ 4,484,746
Due from primary government	481,255	-	481,255
Other assets	42,000	-	42,000
Amount available in Debt Service Funds	1,285,065	-	1,285,065
Amount to be provided for retirement of general long-term debt	<u>13,414,935</u>	<u>-</u>	<u>13,414,935</u>
Total assets	<u><b>\$ 19,697,991</b></u>	<u><b>\$ 10,010</b></u>	<u><b>\$ 19,708,001</b></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 115,192	\$ -	\$ 115,192
Due to other governmental units and other liabilities	122,468	-	122,468
Long-term debt	<u>14,700,000</u>	<u>-</u>	<u>14,700,000</u>
Total liabilities	14,937,660	-	14,937,660
<b>Fund Balances</b>			
Designated for subsequent year's expenditures	4,068,831	-	4,068,831
Undesignated	<u>691,500</u>	<u>10,010</u>	<u>701,510</u>
Total fund balances	<u>4,760,331</u>	<u>10,010</u>	<u>4,770,341</u>
Total liabilities and fund balances	<u><b>\$ 19,697,991</b></u>	<u><b>\$ 10,010</b></u>	<u><b>\$ 19,708,001</b></u>

# Township of Scio

## Component Units Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Downtown Development Authority	Economic Development Corporation	Total
<b>Revenue</b>			
Property taxes	\$ 2,248,623	\$ -	\$ 2,248,623
Rent, interest, and other	<u>109,025</u>	<u>-</u>	<u>109,025</u>
Total revenue	2,357,648	-	2,357,648
<b>Expenditures</b>			
Capital outlay	239,638	-	239,638
Unallocated and other	17,333	587	17,920
Debt principal payments	900,000	-	900,000
Interest and fiscal charges	<u>867,676</u>	<u>-</u>	<u>867,676</u>
Total expenditures	<u>2,024,647</u>	<u>587</u>	<u>2,025,234</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	333,001	(587)	332,414
<b>Other Financing Sources (Uses)</b>			
Operating transfer in	1,743,060	-	1,743,060
Operating transfer out	<u>(1,743,060)</u>	<u>-</u>	<u>(1,743,060)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	333,001	(587)	332,414
<b>Fund Balances - April 1, 2003</b>	<u>4,427,330</u>	<u>10,597</u>	<u>4,437,927</u>
<b>Fund Balances - March 31, 2004</b>	<u><u>\$ 4,760,331</u></u>	<u><u>\$ 10,010</u></u>	<u><u>\$ 4,770,341</u></u>

# Township of Scio

## Schedule of Indebtedness - Component Units March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>Downtown Development Authority</b>					
1988 General Obligation Limited Tax Bonds					
Date of issue - January 1989					
Amount of issue - \$1,500,000					
	03/31/04	\$ -	\$ -	\$ -	\$ 550,000
	05/01/04	20,300	20,300	-	-
	11/01/04	120,300	20,300	100,000	450,000
	05/01/05	16,650	16,650	-	-
	11/01/05	116,650	16,650	100,000	350,000
	05/01/06	12,950	12,950	-	-
	11/01/06	112,950	12,950	100,000	250,000
	05/01/07	9,250	9,250	-	-
	11/01/07	134,250	9,250	125,000	125,000
	05/01/08	4,625	4,625	-	-
	11/01/08	129,625	4,625	125,000	-
		677,550	127,550	550,000	

# Township of Scio

## Schedule of Indebtedness - Component Units (Continued) March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>Downtown Development Authority (Continued)</b>					
1990 General Obligation Limited Tax Bonds					
Date of issue - August 1990					
Amount of issue - \$2,775,000					
	03/31/04	\$ -	\$ -	\$ -	\$ 1,200,000
	05/01/04	33,013	33,013	-	-
	11/01/04	183,012	33,012	150,000	1,050,000
	05/01/05	27,913	27,913	-	-
	11/01/05	202,912	27,912	175,000	875,000
	05/01/06	21,875	21,875	-	-
	11/01/06	196,875	21,875	175,000	700,000
	05/01/07	17,500	17,500	-	-
	11/01/07	192,500	17,500	175,000	525,000
	05/01/08	13,125	13,125	-	-
	11/01/08	188,125	13,125	175,000	350,000
	05/01/09	8,750	8,750	-	-
	11/01/09	183,750	8,750	175,000	175,000
	05/01/10	4,375	4,375	-	-
	11/01/10	179,375	4,375	175,000	-
		1,453,100	253,100	1,200,000	



# Township of Scio

## Schedule of Indebtedness - Component Units (Continued) March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>Downtown Development Authority (Continued)</b>					
1994 General Obligation Limited Tax Bonds					
Date of issue - November 1994					
Amount of issue - \$8,000,000					
	03/31/04	\$ -	\$ -	\$ -	\$ 6,200,000
	05/01/04	598,450	198,450	400,000	5,800,000
	11/01/04	178,450	178,450	-	-
	05/01/05	578,450	178,450	400,000	5,400,000
	11/01/05	162,450	162,450	-	-
	05/01/06	662,450	162,450	500,000	4,900,000
	11/01/06	146,450	146,450	-	-
	05/01/07	646,450	146,450	500,000	4,400,000
	11/01/07	130,200	130,200	-	-
	05/01/08	630,200	130,200	500,000	3,900,000
	11/01/08	113,700	113,700	-	-
	05/01/09	713,700	113,700	600,000	3,300,000
	11/01/09	93,600	93,600	-	-
	05/01/10	693,600	93,600	600,000	2,700,000
	11/01/10	73,200	73,200	-	-
	05/01/11	673,200	73,200	600,000	2,100,000
	11/01/11	52,500	52,500	-	-
	05/01/12	752,500	52,500	700,000	1,400,000
	11/01/12	35,000	35,000	-	-
	05/01/13	735,000	35,000	700,000	700,000
	11/01/13	17,500	17,500	-	-
	05/01/14	717,500	17,500	700,000	-
		8,404,550	2,204,550	6,200,000	

# Township of Scio

## Schedule of Indebtedness Component Units (Continued) March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>Downtown Development Authority (Continued)</b>					
2002 General Obligation Limited Tax Bonds					
Date of issue - March 1, 2002					
Amount of issue - \$7,000,000					
	03/31/04	\$ -	\$ -	\$ -	\$ 6,750,000
	04/01/04	458,481	158,481	300,000	6,450,000
	10/01/04	149,104	149,104	-	-
	04/01/05	449,106	149,106	300,000	6,150,000
	10/01/05	139,729	139,729	-	-
	04/01/06	439,731	139,731	300,000	5,850,000
	10/01/06	130,355	130,355	-	-
	04/01/07	430,356	130,356	300,000	5,550,000
	10/01/07	120,981	120,981	-	-
	04/01/08	470,981	120,981	350,000	5,200,000
	10/01/08	113,325	113,325	-	-
	04/01/09	513,325	113,325	400,000	4,800,000
	10/01/09	104,825	104,825	-	-
	04/01/10	504,825	104,825	400,000	4,400,000
	10/01/10	96,325	96,325	-	-
	04/01/11	546,325	96,325	450,000	3,950,000
	10/01/11	86,650	86,650	-	-
	04/01/12	536,650	86,650	450,000	3,500,000
	10/01/12	76,750	76,750	-	-
	04/01/13	576,750	76,750	500,000	3,000,000

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# Township of Scio

## Schedule of Indebtedness Component Units (Continued) March 31, 2004

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion	Remaining Principal Balance
<b>Downtown Development Authority (Continued)</b>					
2002 General Obligation Limited Tax Bonds					
	10/01/13	\$ 65,500	\$ 65,500	\$ -	\$ -
	04/01/14	565,500	65,500	500,000	2,500,000
	10/01/14	54,000	54,000	-	
	04/01/15	604,000	54,000	550,000	1,950,000
	10/01/15	42,313	42,313	-	
	04/01/16	642,313	42,313	600,000	1,350,000
	10/01/16	29,563	29,563	-	
	04/01/17	679,563	29,563	650,000	700,000
	10/01/17	15,750	15,750	-	
	04/01/18	<u>715,750</u>	<u>15,750</u>	<u>700,000</u>	-
		<u>9,358,826</u>	<u>2,608,826</u>	<u>6,750,000</u>	
Total Downtown Development					
Authority General					
Obligation Limited Tax					
Bonds					
		<u>\$ 19,894,026</u>	<u>\$ 5,194,026</u>	<u>\$ 14,700,000</u>	

June 21, 2004

Members of the Township  
Board of Trustees  
Scio Township  
827 North Zeeb Road  
Ann Arbor, MI 48103

Dear Trustees:

We have recently completed our audit of the financial statements of Scio Township for the year ended March 31, 2004. As part of our audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration. Before we discuss our specific comments and recommendations, we would like to compliment the Township's Finance Department for the overall positive condition in the financial records and related documentation for the fiscal year ended March 31, 2004.

#### **SPECIFIC ITEMS NOTED DURING OUR AUDIT**

- At March 31, 2004, as in the previous years, the trust and agency fund is still in possession of deposits relating to a project(s) that began several years ago. We suggest the Township review the status of this project(s) and refund any necessary monies or recognize any related revenue associated with the completion of the project(s).
- As discussed in previous years, the Township analyzes water and sewer loss on an annual basis versus quarterly or monthly. In an effort to identify problems or repairs needed to the system on a timely basis, it is important that the Township prepare the water and sewer loss analysis on a more frequent basis. This overview analysis would help identify potential leaks/breaks in the system or deficiencies in the billing process. In addition, the analysis may be more beneficial if calculated using actual gallon information vs. gallon amounts based off of total dollars.
- It was noted during our review of the cash and investments of the Township, as in the previous year, that although the Township has an investment policy in place, there has not been regular reporting to the Board. It is important that the Township's Board be updated as to the status of the Township's investments in accordance with Township policy and state law.
- During our testing of the water and sewer funds, we were not able to accurately follow a transaction from the utility billing system to the general ledger. A difference between the amount in the utility billing system and the amount recorded in the general ledger was discovered that was not able to be reconciled by the Township's staff. Although the difference was minimal, we would encourage the Township to review and properly reconcile activity on a monthly basis.

### **SPECIFIC ITEMS NOTED DURING OUR AUDIT (CONTINUED)**

- It was noted during our review of the Township's compensated absences accrual, that one employee was in excess of the allowable accumulation for comp time based on the provided personnel manual. We would suggest the Township regularly review the accumulated balances for conformity with the current personnel manual. There may be occasions where an employee accumulates comp time and is unable to utilize it within the Township's guidelines, however, when that occurs, the Township should recognize the situation and the exception to the rule should be approved by an appropriate supervisor.
- During our review of the Township's property taxes it was noted that the Township was not timely in their remittance of winter taxes to the other governmental units. A cause of this was the Township's change in their internal recording and tracking of property tax revenues. This has become a topic of increased sensitivity and Plante & Moran has been informed of the Michigan Department of Treasury's intent to begin sending communication to governmental units who are currently delinquent in their remittances to the other governmental units. A copy of this letter will also be sent to the Michigan legislature for their review. We would encourage the Township to develop a system to track tax collections payable to other taxing units and disburse these funds on a timely basis.
- Delinquent personal property tax collections were discussed with Township staff. We suggest that you examine strengthening your follow up and collection efforts. Steps may include considering options such as retaining part time/seasonal staff, enhanced systemization and documentation of collection efforts or potentially the use of a collection agency. In any event, we suggest meeting with your County Treasurer who is in a position to observe the "best practices" of other local treasurers and could provide helpful suggestions regarding increasing your success rate.

### **NEW FINANCIAL REPORTING MODEL**

As we discussed in previous years, the GASB has finalized its new financial statement reporting model. We urge the township's financial and management staff to begin the process including identifying the issues and assigning the transition projects to individuals in anticipation of the implementation. We recommend timelines be established and the implementation team have periodic meetings to report progress and establish accountability to each other.

Plante & Moran will be available to the Township board and administration to provide any education necessary related to understanding the new statements. We would be happy to meet with the board, at whatever time is convenient to you, to educate you about this new pronouncement and the impact it will have on the Township, its staff and its resources.

June 21, 2004

## REVENUE SHARING

Michigan municipalities continue to feel the effect of the State's slower economy and the slow down directly affecting the Township's General Fund. State shared revenue accounts for approximately 30% of the Township's total General Fund revenue. Because of this slower than expected growth in the State's sales tax collections (which is the sole source of revenue sharing

payments to local units of government) and the highly publicized State budget problems, revenue sharing payments for the State's upcoming fiscal years are less than originally projected. For the State's fiscal year 04/05, the Governor has proposed to hold the line on city, village and township revenue sharing – meaning that FY 04/05 levels will equal FY 03/04 levels.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the recently updated Michigan Department of Treasury website is located at <http://www.michigan.gov/treasury>. From this starting point, you can drill down and obtain the estimated revenue sharing payments projected for your township.

We would like to thank the Township and all those involved with the audit process for their assistance. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations. Thank you for the continued opportunity to be of service.

Very truly yours,

**PLANTE & MORAN, PLLC**



Leslie J. Pulver



Wendy N. Trumbull